

FEBRUARY 18, 2015

## CARE REAFFIRMS/WITHDRAWS THE RATINGS ASSIGNED TO BANK FACILITIES OF HAMON SHRIRAM COTTRELL PRIVATE LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities (Fund-based)	<b>59</b> <b>(59)</b>	CARE BBB- (Triple B Minus)	Reaffirmed
Long-term Bank Facilities (Term Loan)	<b>12.10</b> <b>(18.83)</b>	CARE BBB- (Triple B Minus)	Reaffirmed
Long-term Bank Facilities (Non-fund-based)	<b>145</b> <b>(130)</b>	CARE BBB- (Triple B Minus)	Reaffirmed
Short-term Bank Facilities (Term Loan)	<b>6</b> <b>(6)</b>	CARE A3 (A Three)	Reaffirmed
Short-term Bank Facilities (Non-fund-based Limits)	- <b>(40)</b>	-	Withdrawn
<b>Total Facilities</b>	<b>222.10</b>		
Issuer Rating	-	CARE BBB- (Is) [Triple B Minus (Issuer Rating)]	Reaffirmed

### Rating Rationale

The ratings assigned to the bank facilities of Hamon Shriram Cottrell Private Limited (HSC) are reaffirmed on account of continuous support demonstrated in the form of timely infusion of equity by the promoters to support the operations of the company in view of the operational losses incurred by the company due to declining scale of operations coupled with an increase in costs due to delays in execution of contracts. CARE expects this support to continue in future as well. Also, the ratings continue to derive strength from significant experience of the promoters of HSC in manufacturing cooling towers, the company's track record in the execution of orders, technical support from the Hamon group and moderately healthy order book position. However, the rating continues to be constrained due to strained liquidity position of the company owing to cash losses incurred and stretched recoveries from the customers leading to further deterioration in the financial profile of the company. Also, the ratings continue to be constrained by intense competition in the cooling tower segment leading to thinning margins and project execution risk inherent to engineering, procurement and construction (EPC) nature of business.

The company's ability to scale up operations to profitable levels, efficiently manage working capital cycle along-with timely recoveries from the customers, timely execution of projects and infusion of equity by the promoters to support the operations and debt service obligations of the company remain the key rating sensitivities.

The issuer rating to the company is assigned based on the present levels of gearing and debt coverage indicators. In case, the same deteriorates substantially, the issuer rating may undergo a change.

CARE has withdrawn the rating assigned to the short-term bank facilities (non-fund-based limits) of HSC with immediate effect at the request of the company, as the outstanding amount has been fully repaid by HSC.

### Background

HSC is engaged in the design, manufacture, construction, and commissioning of different types of cooling towers. HSC was incorporated in 2007 as an equal sharing joint venture between Hamon Group, Belgium and Shriram EPC Limited (SEPC) [rated 'CARE BB/CARE A4']. In June 2013, on account of internal reorganisation of the Shriram group (flagship entity Shriram Transport Finance Company Limited rated 'CARE AA+' for instruments); the shareholding of SEPC in HSC was transferred to Shriram Industrial Holding Limited (SIHL). SIHL is a holding company for various non-financial services entities of the Shriram group. Out of the Hamon group shareholding, Hamon Netherland BV (HNBV) holds 31.80% and balance 18.20% is held by Hamon India Thermal Engineers & Contractors Private Limited (subsidiary of HNBV).

The Hamon group is present in India since 1970 through its technical licensee arrangement with Gammon India Limited. HSC is present in all major cooling systems such as mechanical draft systems, natural draft cooling towers, fibre-glass

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

reinforced towers and fanstacks which are used in power, refinery and other industries. The company is also diversified in construction of dry cooling towers.

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**Note:** Mr P.P. Pattanayak, Hon'ble Rating Committee Member is an Independent Director in Shriram City Union Finance Limited, a group company of the joint venture partner (Shriram Industrial Holding Limited) in Hamon Shriram Cottrell Private Limited, and is one of CARE's rating committee member. To comply with the regulations, the Member has not participated in the rating process and the rating committee meeting.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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